

ORIGINAL

THE INTELICALL COMPANIES
CC Docket No. 96-128 - Reply Comments
July 15, 1996

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL
RECEIVED

JUL 15 1996

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of

Implementation of the Pay
Telephone Reclassification and
Compensation Provisions of the
Telecommunications Act of 1996

CC Docket No. 96-128

REPLY COMMENTS OF THE INTELICALL COMPANIES

THE INTELICALL COMPANIES

Judith St. Ledger-Roty
Wendy I. Kirchick
REED SMITH SHAW & McCLAY
1301 K Street, N.W.
Suite 1100 - East Tower
Washington, D.C. 20005-3317
202-414-9200

Its Attorneys

July 15, 1996

No. of Copies rec'd
Use A B C D E

019

TABLE OF CONTENTS

	<u>Page No.</u>
Summary	i
Introduction	1
I. IMPOSING THE COSTS OF PAYPHONE USAGE ON 800 SUBSCRIBERS WOULD BE BOTH UNLAWFUL AND INEQUITABLE ...	4
A. The Calling Party Is Solely Responsible For Generating The Costs Associated With Payphones	4
B. Assessment Of The Costs Of Payphone Usage On The 800 Subscriber, Including Debit Card Providers, Would Unreasonably Raise Debit Card Provider Costs Without The Ability To Recoup Those Costs	9
C. Assessment of Payphone Compensation Costs on the 800 Subscriber Would Not Be In The Public Interest	12
D. Imposing The Costs Of Payphone Usage On Debit Card Providers Would Unreasonably Discriminate Against Debit Card Providers	14
II. ABSENT CALLING PARTY PAYS, THE COSTS MUST BE SPREAD ACROSS ALL USERS OF LOCAL EXCHANGE SERVICE	16
III. PAYPHONE COMPENSATION COSTS COULD BE SPREAD ACROSS ALL USERS OF LOCAL EXCHANGE SERVICE AS PART OF THE CARRIER COMMON LINE CHARGES	21
IV. THE COMMISSION SHOULD EXEMPT ALL CALLS LASTING LESS THAN ONE MINUTE	23
V. . CONCLUSION	24

Summary

Section 276(b) of the Telecommunications Act of 1996 seeks to promote competition in the payphone market and to ensure the availability of payphone services to the public. However, the complexities of implementing a nationwide payphone compensation scheme and the potential negative impact of inappropriate payphone compensation mechanisms on subscribers of 800 services, or other parties of the industry, requires the Commission to implement a fair compensation mandate that is consistent with Congress' goal to foster competition and increase consumer choice among services and providers. This in turn, requires that the Commission implement a mechanism that achieves overall fairness to all industry participants. Intellicall's proposed payphone compensation mechanism, which spreads the costs of payphone compensation among all network users (and thus among all actual or potential users of 800 services) achieves this goal. This mechanism, as closely as is practicable, passes the costs of payphone compensation on to the cost-causing parties while, at the same time, avoids the concerns expressed by the Commission with respect to a calling party pays mechanism.

It is incumbent upon the Commission to recognize that the imposition of the costs of payphone usage on 800 subscribers, either directly or passed through by the IXC, would be both unlawful and inequitable. It is not the 800 subscriber, but rather the calling party that is responsible for generating the costs associated with payphone usage. It is the calling party

that chooses to use the payphone to place a call. The called party or 800 subscriber has no control over this choice. It is thus the calling party, as the cost-causer, that is the most appropriate person to pay the compensation for use of the payphone.

Even if the Commission determines that there are difficulties with adopting a coin-based set-use fee paid for by the calling party, there is no basis for shifting this cost totally to the 800 subscriber who has no control over the location from which calls to it are placed. In fact, doing so would violate the principle established by Congress and recognized by the Commission, that consumers should be able to block access to unwanted services from their lines, receive information about the cost of a call, and be afforded an opportunity to hang up before incurring charges. Furthermore, assessment of the costs of payphone usage on the 800 subscriber, which includes debit card providers, would unreasonably raise debit card providers' costs without the ability to recoup those costs. Unlike other types of carriers, debit card providers cannot pass through the costs of payphone compensation on a per-call basis directly to either the calling or the called party.

Additional considerations for the Commission are that assessment of payphone compensation costs on 800 subscribers would not be in the public interest and would, in fact, constitute unreasonable discrimination. Furthermore, passing payphone equipment costs on to 800 subscribers would impact the

availability of the low-cost long distance services provided by debit cards to those who rely on such services; would significantly increase the cost to the government of providing assistance to the public through the many government 800 numbers in use today; would be disastrous to the many public interest groups that use 800 numbers to provide vital services; and would possibly deprive the public of such valuable services. Congress could not have intended such results.

Absent calling party pays, the costs of payphone usage must be spread across all users of local exchange services. This approach is consistent with the manner in which 800 subscriber calls are placed today, as well as with the concept, adopted by the Commission in the *800 Access Order* and the *Caller ID Order*, that the costs incurred from the deployment of a technology that benefits the general public should be spread across all network users. Payphones provide a wide array of services to many categories of persons and businesses that benefit from those services and, accordingly, the costs of these services should be borne by all those who benefit.

Payment of payphone compensation costs by all network users can be accomplished by a mechanism that includes such costs as part of the subscriber line charge. The funds collected could then be administered by NECA. NECA already administers such funds collected by the LECs and has stated in its comments that it would be willing to administer a payphone compensation mechanism adopted by the Commission.

Finally, in order to prevent fraud and to promote fairness, the Commission should exempt all calls lasting less than one minute. Fraudulent calls made by auto-dialers would be deterred. Only calls completed to the intended recipient would be compensable. The result will be a more fair and equitable payphone compensation mechanism.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

RECEIVED
JUL 15 1996
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
)
Implementation of the Pay)
Telephone Reclassification and) CC Docket No. 96-128
Compensation Provisions of the)
Telecommunications Act of 1996)

REPLY COMMENTS OF THE INTELICALL COMPANIES

The Intellicall Companies ("Intellicall"), by their attorneys, hereby submit their reply comments in the above-captioned proceeding. Intellicall has thoroughly read the comments of the various parties, all with cognizable, diverse interests, all of whom will be impacted by the implementation of Section 276 of the Telecommunications Act of 1996 (the "1996 Act"). Intellicall's reply comments attempt to balance the interests of these parties within the context of assuring pay telephone providers "fair compensation" for the use of their payphones. Nonetheless, these reply comments address this proceeding through the eyes of a prepaid (or debit) card provider with a substantial amount to lose if the Commission adopts certain of the proposals discussed in the comments.

Introduction

Congress, in its wisdom, correctly empowered the Federal Communications Commission ("FCC" or "the Commission") to authorize fair compensation to payphone providers. There is no

apparent recognition in the 1996 Act or the legislative history as to the complexities of implementing such a scheme nationwide. Nor, importantly, is there any discussion of the potential negative impact on portions of the industry or on subscribers of 800 services. This silence suggests that either Congress was unaware of the potential impact that could result from ill-advised compensation recovery methods, or that Congress had confidence in the FCC's ability to implement its fair compensation mandate in a manner that did not disrupt Congress' overall plan to increase and foster competitiveness in all segments of the telecommunications industry, thereby, overall, bringing consumers a diversity of choices among services and providers.

In its comments, Intellicall has set forth a payphone compensation mechanism that, as closely as is practicable, passes the costs of such compensation on to the cost-causing parties, is fair and equitable, and adequately addresses the Commission's concerns regarding a calling party pays mechanism. Neither the FCC nor the majority of commenters dispute that it is the calling party that is the cost-causer.¹ Rather, the Commission set forth a number of reasons in the NPRM for rejecting a calling party pays approach.

¹ In fact, the FCC has taken the position in past proceedings that charging end users who originate calls from pay telephones is the "ideal solution" to payphone cost recovery. MTS/WATS Market Structure, 97 FCC 2d 682, 705 (1983).

First, the Commission expressed a concern that TOCSIA prohibits coin deposits. Intellicall's proposed mechanism, which spreads the costs among all network users, will not require a coin deposit by the calling party. Second, the Commission expressed concern that a coin-deposit approach would be unduly burdensome on calling parties by requiring them to deposit coins in addition to providing call-billing information. Again, Intellicall's approach places no burden on the calling party. However, while Intellicall's proposed mechanism alleviates the Commission's concerns regarding a calling party pays approach, this mechanism, at the same time, as closely as is practicable, passes the costs on to the parties who benefit from payphones.² Therefore, Intellicall's proposal most closely accomplishes the results desired by the Commission, without the problems or inconvenience presented by other possible payphone compensation mechanisms.

The comments in this proceeding reinforce Intellicall's initial view, that the FCC's goals in this proceeding must be to achieve overall fairness to all industry participants, including consumers. This fundamental fairness must be achieved through simplicity and ease of implementation as well as speed in assuring the desired compensation to payphone providers. It must

² While this mechanism does not pass the costs directly on to the sole cost-causer for each call made from a payphone, it at least passes the costs on to all end users who are either actual or potential users of 800 services.

not, in a negative sense, unjustly change the economics of providing prepaid toll services or other services which can be accessed from pay telephones.

With these goals in mind, the ideal solution would be for the Commission to adopt a payphone compensation mechanism pursuant to which the calling party, as the cost causer, pays for the calls placed from payphones. See, e.g., Intellicall Comments at 23-33; Frontier Comments at 10-12. However, as discussed above, if the Commission determines that it is impractical to impose a calling party pays mechanism, it should at least adopt a mechanism that spreads the costs among all network users. In any case, there is no basis in the record for imposing the costs of pay telephone usage on 800 subscribers. It would be a violation of the Communications Act to segregate out 800 subscribers, and impose the costs incurred by callers, upon them alone.

I. IMPOSING THE COSTS OF PAYPHONE USAGE ON 800 SUBSCRIBERS WOULD BE BOTH UNLAWFUL AND INEQUITABLE

A. The Calling Party Is Solely Responsible For Generating The Costs Associated With Payphones

In the NPRM, the FCC describes a number of compensation plans and mechanisms. One, which it rejects, is the coin paid set-use fee. Another, although not described as such by the FCC is the "called party pays" set-use fee. Both of these mechanisms involve charging the parties to 800 and other calls from payphones. However, there are significant and dispositive differences. The first -- the coin paid option -- correctly

charges the person who chose to use the payphone to place the call. The second -- the called party pays option -- incorrectly bills the toll subscriber who had no control over the calling parties' selection.³

In considering the appropriate mechanisms for compensation, MCI, among others, encourages the FCC, over time, to adopt the "set-use fee" approach. In MCI's view, MCI would pass the cost of payphone use on directly to the called party as a separate and discrete charge. MCI favors the "set-use fee" compensation approach under the theory that the cost causer should pay for the cost incurred, and that it is inappropriate to hide the costs for use of the payphone itself in other charges, such as the toll charge.⁴

Intellicall agrees with these theories, but submits that MCI and others who advocate the called party pays set-use fee have incorrectly applied their facts. First, the called party is not the party that causes costs to be incurred. It is the calling party who chooses to use a payphone instead of a business, hotel

³ See, e.g., Frontier Comments at 2, 10-11.

⁴ MCI Comments at 6. The Comments overwhelmingly recognize that compensation mandated by Congress is for the use of the phone itself. See APCC Comments at 16. ("The restructuring presents the opportunity to alleviate consumer confusion by imposing a uniform national maximum charge **for the use of the payphone.**" [Emphasis in original.])

or residential phone.⁵ As Intellicall's Comments point out, the called party has no ability to determine from where a call is being placed.⁶ Until now, with respect to 800 subscriber calls, it made no difference because there were no customer premises equipment charges ever associated with the use of toll-free calling.

Intellicall agrees as well with the concept that the charge to consumers for selecting a payphone should be disaggregated from the toll charge and clearly visible. However, again, MCI's premise in billing a set-use fee to the called party misidentifies the party most appropriately responsible for payment. It is the calling party who selects the location and telephone instrument from which to place the call.

Although Intellicall has no hard statistics to back it up, it's knowledge of the 800 subscriber market of which it and its customers are part suggests that many 800 subscriber calls are placed from locations other than payphones. Intellicall's prepaid cards, for example, may be used from hotels, motels, businesses and residences as often, if not more often, than they are from payphones. However, in either instance, the called

⁵ See Intellicall Comments at 25-27. See also Frontier Comments at 2, 10-11; Arch Comments at 4.

⁶ Intellicall Comments at 22, 25.

party is not the decision-maker as to what telephone to use. The calling party is the only decision-maker.

A number of parties oppose a calling party pays fee. Importantly, however, to Intellicall's knowledge, none of these parties argue that the calling party is not the cost causer, and thus absent other externalities, the only appropriate person to pay the compensation for the use of the phone. Rather, they argue that a calling party pays environment would result in inconvenience to the calling party because of the necessity to place coins in the payphone or would violate consumer expectations, thus discouraging payphone usage. See, e.g., APCC Comments at 23. Even assuming *arguendo* that these arguments are true, they are no basis to shift the costs totally to the unsuspecting called party.

As noted in Intellicall's Comments (at 26), it would be incorrect to equate the billing of the called party to collect calls, where the called party is given the opportunity to accept or reject the calls, and where the Commission is seeking to assure that the called party has the opportunity to know the rate of each call prior to such acceptance or rejection.⁷ In fact,

⁷ In the prepaid context, the 800 subscriber is the debit card provider and, therefore, the called party for technical reasons in connection with payphone compensation (even though it is not the intended final recipient of the toll call). In the more typical 800 subscriber context, the called party would be the party receiving the toll call.

the inequity of a situation where a fee is imposed upon a party that has neither knowledge of the rate for each call, nor the opportunity to reject the call, was recognized by Congress in Section 228 of the 1996 Act, 47 U.S.C. § 228, and by the Commission in its recent order implementing Section 228.⁸ In the *Pay-Per-Call Order*, the Commission recognized that safeguards "are necessary to ensure that consumers are . . . able to block access to unwanted services from their telephone lines."⁹ The Commission also expressed its concern that certain undesirable practices may result in a consumer "not receive[ing] information about the cost of a call or be[ing] afforded an opportunity to hang up without incurring charges."¹⁰ These same inequities that Congress and the Commission sought to prevent in the context of pay-per-call information and services, will present themselves here if a set-use payphone compensation fee is imposed on the 800 subscriber or the called party.

⁸ See Policies and Rules Governing Interstate Pay-Per-Call and Other Information Services Pursuant to the Telecommunications Act of 1996, CC Docket No. 96-146, FCC 96-289 (rel. July 11, 1996) (*Pay-Per-Call Order*).

⁹ *Id.* at 1260.

¹⁰ *Id.*

**B. Assessment Of The Costs Of Payphone Usage On The
800 Subscriber, Including Debit Card Providers,
Would Unreasonably Raise Debit Card Provider
Costs Without The Ability To Recoup Those Costs**

Imposition of the costs of payphone usage on 800 subscribers would have a substantial detrimental impact on debit card providers. As Intellicall stated in its Comments, the debit card provider has no opportunity to selectively pass the costs onto the cost causer, the calling party using a payphone.¹¹ First, the debit card provider cannot determine which callers will choose to use payphones to place their calls, or the extent to which they will do so.¹² Second, any attempt to pass on these costs to *all* debit card users by increasing the per-minute rate of usage has the effect of passing a share of the costs on to those debit card users who do not place their calls from telephones and, therefore, are not the cost causers. Furthermore, many people who use debit cards lack the economic resources to absorb an increase in the per-minute usage rate of debit cards.¹³ As TRA pointed out in its Comments, the Commission has correctly characterized debit cards as "[l]ow cost services targeted to meet the needs of those with low incomes or

¹¹ See Intellicall Comments at 21-22.

¹² *Id.* at 22.

¹³ See, e.g., Comments of Telecommunications Resellers Association ("TRA") at 9-10.

non-permanent living arrangements."¹⁴ Therefore, recouping the payphone compensation fee by increasing the per-minute usage rate would significantly harm the emerging debit card industry as well as have a detrimental impact on the public interest.

Additionally, and as pointed out in Intellicall's comments, debit card services are extensively used in the promotion of new products and services in which the premium or incentive is packaged long distance (in the form of minutes). Such applications further illustrate the impracticality of attempting to recoup the compensation fee from the calling party since, in such instances, the calling party received a "free" card with a specified amount of time, typically in the range of three to 15 minutes, depending upon the promotion. It would be impossible to relate a compensation fee to some specified number of minutes and to deduct that amount of minutes from the user's account balance, even if it were somehow technically possible. For example, if the compensation was somehow determined to be the equivalent of two minutes and the card value was three minutes, the recipient of a three-minute "free" card would only be able to make a one-minute telephone call with no understanding as to why.

¹⁴ TRA Comments at 10, *quoting* Rules and Policies to Increase Subscription and Usage of the Public Switched Network, 10 FCC Rcd. 1303, ¶ 38 (1996).

Increasing the price of such a card to the issuer to reflect compensation costs of an unknown number of calls that might be placed from payphones would only serve to increase the cost of the premium, with the likely outcome that the card issuer would choose some other incentive product rather than long distance. The overall result would be to virtually eliminate the use of debit cards as premiums and incentives and decimate a creative and popular application of packaged long distance.

On the other end, debit card providers also have no opportunity to pass the costs of payphone compensation onto the called party.¹⁵ Debit card providers have no relationship with the called party and thus have no ability to recoup its costs in that manner.¹⁶ Given the impracticality of passing the costs of payphone compensation onto either the calling or the called party, the result of imposing those costs on 800 subscribers would be disastrous for debit card providers. As was pointed out

¹⁵ In any event, the called party is not the cost-causer and has neither the expectation that it will pay for such calls nor the ability to reject such calls.

¹⁶ Unlike LECs or IXC's, debit card providers do not have an ongoing relationship with either the calling or the called party. Thus recovering payphone fees from these parties is impractical. The Commission has recognized the impracticality of carriers recovering fees from a party with whom there is no relationship. See, *California v. FCC*, 73 F.3d 1350, 1364 (1996) ("[t]he FCC found . . . that it was impractical, because of the lack of relationship between IXC's and called parties, to permit the IXC's to recover fees from residential customers serviced with caller ID.")

in Intellicall's Comments, the debit card business is already dealing with razor thin margins.¹⁷ Thus, any attempt to force debit card providers to absorb the costs of payphone compensation fees would have a potentially very detrimental impact.¹⁸

C. Assessment of Payphone Compensation Costs on the 800 Subscriber Would Not Be In The Public Interest

In the debit card context, assessment of the costs of payphone compensation on 800 subscribers would result in harm to the many people who rely on the availability of the low-cost long distance services provided by the debit card business. As discussed above in Section I.B., the only possible way for a debit card provider to pass on the costs of payphone compensation would be to increase the per-minute usage fee charged to all purchasers of debit cards, whether or not they use payphones to place their calls. The result would be to put the burden of such costs on those without the financial resources to afford such rates, and to defeat what the Commission itself has recognized as a "low-cost service targeted to meet the needs of people with low

¹⁷ See also TRA Comments at 6-10 for a detailed discussion of this issue.

¹⁸ This detrimental impact is exacerbated by the increase in fees for payphone compensation resulting from calls for which the debit card provider is not compensated (e.g., calls that only reach the debit card provider's platform for reasons including insufficient funds, incorrect PIN number or fraudulent calls).

incomes or non-permanent living arrangements."¹⁹ Such a result is clearly not in the public interest.

In addition, the negative impact on the public interest results from the imposition of payphone compensation costs on 800 subscribers generally. As Intellicall discussed in its Comments, an overwhelming number of government agencies have 800 numbers available to assist the public. Imposing payphone compensation fees on these 800 subscribers would greatly increase the costs to the government of providing such services to the public. If these costs forced the government to reduce or eliminate such assistance, the public is denied free access to such services. In either case the public interest is harmed.

The same holds true for non-governmental public interest groups that provide assistance to the public through the use of 800 numbers (e.g., domestic violence hotlines, AIDS hotlines, etc.). Imposition of payphone compensation costs on these organizations could be devastating, particularly in light of the fact that most such organizations strive to get by on limited funding. It could force such organizations to eliminate access through 800 numbers, thus depriving the public (many of whom may very well be low-income or homeless) of an easy and cost-free way to reach such essential services.

¹⁹ 10 FCC Rcd. at ¶ 38.

It is inconceivable that Congress could have intended such results when it passed the payphone compensation provisions of the 1996 Act. Yet such would be the results of a payphone compensation mechanism that imposes or passes through costs to 800 subscribers.

**D. Imposing The Costs Of Payphone Usage
On Debit Card Providers Would Unreasonably
Discriminate Against Debit Card Providers**

Intellicall has already demonstrated that the calling party, not the called party, is the cost causer, and no one disputes that premise in their Comments. Instead, all of the attempts to charge the called party have at their root the premise that it is impractical to charge the calling party either because the phone is incapable of differentiating between completed and uncompleted calls, or because the calling party would allegedly be inconvenienced if required to put coins in the payphone.²⁰

If the Commission accepts the validity of these arguments, it cannot then turn around and charge 800 subscribers such as debit card providers. The fact is that debit card providers like Intellicall, who are 800 subscribers, have no ability to collect

²⁰

See, e.g., APCC Comments at 23 (coin paid would violate consumer expectations and be highly inconvenient for consumers).

for payphone usage associated with persons using their debit cards from payphones or persons receiving such calls.²¹

Debit card providers have no way of knowing that calls are originating from pay telephones. There is no present database, such as the Line Information Database ("LIDB") containing all of the payphone numbers which debit card providers can access to determine, on line, that a call is being originated from a payphone.²² Furthermore, debit card providers do not know where calls using their debit cards are terminating and do not have a relationship with parties receiving such calls.²³

Furthermore, as with payphone users placing 800 subscriber calls, the 800 subscriber (who is also a carrier) and its end users also have no expectation that they will be charged for the customer premises equipment chosen by the calling party. There is simply no circumstance, no corollary, where the called party is charged for the customer premises equipment of the calling party. It would be unreasonable to do so today.

²¹ See discussion *infra* at Section II.

²² Even if such a database existed, the costs to debit card providers would be exorbitantly expensive. It would require that, for each call, a database query be made, thereby driving up the costs of debit card provision.

²³ See discussion *infra* at Section II.

In light of the foregoing, it would be unreasonably discriminatory to pick out one group on which to impose payphone compensation charges. This is particularly true given the inability to pass on such costs, the lack of expectation, and the fact that they are only one of many groups that benefit from using payphones.

**II. ABSENT CALLING PARTY PAYS, THE COSTS MUST BE
SPREAD ACROSS ALL USERS OF LOCAL EXCHANGE SERVICE**

Intellicall's recognition that it is the calling party that most appropriately bears responsibility for the cost of the payphone usage has caused it to endorse a coin-sent paid set-use fee as opposed to a set-use fee billed to the called party. Intellicall still endorses that approach. However, it is cognizant that that approach, as with all others, is not without its problems. The most troublesome issue associated with the coin-sent paid set-use fee approach is that it would result in callers being charged for the use of the payphone even where their calls were not completed.²⁴ However, that phenomenon is not troublesome from an economic perspective -- costs should be borne by the cost-causer regardless of the level of benefit immediately derived.

²⁴ See, e.g., Intellicall Comments at 7-8; WorldCom Comments at 9-10; TRA Comments at 18-20. In order for the Commission to adopt the coin paid approach, it would have to simultaneously consider means by which the calling party could not be charged for incomplete calls.

Intellicall recognizes, however, that the Commission may not be ready to impose the costs of the use of the phone for uncompleted calls on society, but rather consider it a cost to the payphone provider of doing business. This would be in accord with other sectors of the telecommunications industry, such as toll, where the calling party is not billed unless the call is completed to the called party. This would preclude the use of a coin-sent paid set-use fee because neither the payphone nor the network is sufficiently sophisticated to know when calls are completed to end users. The network will see the call to the platform as a completed call but, as Intellicall and others note, that is not the same as a completed call to the called party from the calling party's perspective.

In that circumstance, the only solution is to spread the costs of payphone usage over all users or over all business users. This approach would be consistent with the way in which 800 subscriber calls are placed today. As Intellicall's Comments note at Section IV.A., virtually all consumers place calls to 800 numbers. These callers apparently place some of these calls from payphones. It, therefore, would be appropriate to spread costs over the calling public. A reasonable surrogate for the calling public would be business users or all users of local exchange services.²⁵ As Frontier points out, this approach would be

²⁵ Another, perhaps reasonable approach, would be to spread the costs of payphones over all users of toll services,

Continued on following page

consistent with the means for recovery of compensation advocated by APCC in its earlier filings in FCC Docket No. 91-35.²⁶

This approach would also be consistent with the concept, advanced by the Commission in prior proceedings, that the costs incurred from the deployment of a technology that benefits the general public (or a number of different users of the system as opposed to only one group of users), should be spread across all network users.²⁷ The costs associated with payphone use are analogous in some respects to the costs at issue in the *800 Access Order* and the *Caller ID Order*.

In the *800 Access Order*, which addressed the charges to carriers for access to 800 database services, the Commission determined that the costs associated with signaling system 7 (SS7), which would enable LECs to replace the NXX access system with an 800 access database system (thereby allowing for 800 number portability), should be spread across all network users.

Continued from previous page

essentially building the costs of 800 calls into the interexchange carriers' overhead.

²⁶ Frontier Comments at 12-13.

²⁷ See, e.g., Provision of Access for 800 Service, 4 FCC Rcd 2824, 2832 (1989) (*800 Access Order*) (the core costs of SS7 technology, which will support new services, both interstate and intrastate, should be borne by all network users); See also Rules and Policies Regarding Calling Number Identification, 10 FCC Rcd 11700 (1995) (core costs of SS7 being recovered from the general body of network users).

The decision was based, in part, on the fact that SS7 technology would support a number of new interstate and intrastate services. Since all network users would benefit from the opportunities associated with SS7 deployment, the costs should be borne by those users.²⁸

Similarly, in the *Caller ID Order*, the Commission concluded that Calling Party Number ("CPN"), the ubiquitous availability of which is in the public interest, must be passed free of charge among carriers. SS7 deployment supports availability of CPN. The Commission determined that the costs for transporting the CPN parameter are *de minimis* (since the SS7 network already has this capability). Further, the Commission determined that free passage of CPN does not deny IXCs recovery of their SS7 deployment costs because the core costs of SS7 are being recovered from all network users, as well as through CPN based services offered to end users.²⁹

The same principles advocated by the Commission in these prior proceedings should apply in the context of payphone compensation. Payphones provide a wide array of services to many categories of persons and businesses that benefit from those

²⁸ Only those costs that are incurred specifically for the implementation and operation of the data base system could be used by the LECs to establish rates for data base access. *800 Access Order*, 4 FCC Rcd at 2832.

²⁹ *Caller ID Order*, 10 FCC Rcd at 11713-14.